

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**JULY 27, 2001**

**IN RE:**

**BELLSOUTH TELECOMMUNICATIONS, INC.  
TARIFF TO OFFER CONTRACT SERVICE  
ARRANGEMENT (FL-2362-00)**

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**DOCKET NO.  
01-00394**

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**ORDER GRANTING APPROVAL OF BELLSOUTH  
CONTRACT SERVICE ARRANGEMENT (FL00-2362-00)**

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This matter came before the Tennessee Regulatory Authority ("Authority") at a regularly scheduled Authority Conference on May 15, 2001 on the tariff filing of BellSouth Telecommunications, Inc. ("BellSouth") for approval to offer Contract Service Arrangement No. FL00-2362-00 ("CSA"). BellSouth filed Tariff No. 01-00394 on May 1, 2001, with a proposed effective date of May 31, 2001.

Based upon careful consideration of the tariff filing, the Authority makes the following findings and conclusions:

1. The purpose of this CSA is to provide a Volume and Term Discount to the customer identified in the filing. Through this arrangement, the customer agrees to meet an annual revenue commitment of 1.3 million dollars (\$1,300,000.00) in exchange for a ten percent (10%) discount.
2. The term of the CSA is three (3) years with a one (1) year optional renewal. Consistent with other decisions of this agency any renewal after the expiration of the three (3) year term is contingent upon approval by the Authority.
3. This CSA contains two termination provisions. The first relates to the termination of

the underlying specific service and is linked to the tariff provision applicable to the underlying service. The second applies to the termination of the Volume and Term agreement. Because the first termination provision is contained in the underlying, previously approved tariff, it is only the second termination provision that is before the Authority in this docket.

4. In its May 1, 2001 cover letter included with the CSA filing, BellSouth agreed to notify the customer<sup>1</sup> that upon early termination of the CSA without cause, the lesser of the following termination liability charges would apply to the termination of the Volume and Term agreement:

- a. The amounts specified in the CSA the customer signed;<sup>2</sup>
- b. The total of the repayment of discounts received during the previous twelve (12) months of service, the repayment of the prorated amount of any waived or discounted non-recurring charges, and the repayment of the prorated amount of any documented contract preparation, implementation and tracking, or similar charges; or
- c. Six percent (6%) of the total CSA amount.

5. This CSA contains provisions for incentive awards and commitment shortfalls. BellSouth provided an addendum executed by the customer clarifying the fact that the commitment shortfalls do not apply upon the customer's early termination of the CSA.

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<sup>1</sup> BellSouth agreed during the October 24, 2000 Authority Conference that it would send the notice to the customer upon approval of the CSA by the Authority. *See* Transcript of Proceedings, Oct. 24, 2000, p. 15 (Authority Conference).

<sup>2</sup> The termination provisions in the CSA require that the customer provide written notice of termination sixty (60) days prior to the effective date of the termination and pay termination charges equal to "(1) The amount of discounts received for the life of this Agreement or for the previous 12 months, whichever is less, and (2) The prorated portion of the Agreement implementation and tracking costs . . . ." Volume and Term Agreement, section X (filed May 1, 2001). During the January 23, 2001 Authority Conference, it was established that where the termination liability limitation language appears in the CSA or addendum thereto, BellSouth is not required to provide additional notification to the customer upon approval of the CSA by the Authority. With its filing, BellSouth will provide information to the Authority regarding the existence of such language in the CSA or addendum thereto. *See* Transcript of Proceedings, Jan. 23, 2001, pp. 10-14 (Authority Conference). In this case, however, the notification is necessary because the limitation language in the proposed notice and the CSA or addendum thereto is not identical. On July 10, 2001, BellSouth filed a copy of the notification letter sent to the customer with the Authority.

6. BellSouth provided an addendum executed by the customer stating that the customer was aware of competitive alternatives available to it in Tennessee and that the customer and BellSouth have agreed on the termination provisions and that the termination charges represent a reasonable estimate of BellSouth's damages in the event of termination.

7. BellSouth supplied cost data which indicates that the price of services offered under the CSA exceed their long-run incremental costs. Based on this information, BellSouth has complied with the statutory price floor established in Tenn. Code Ann. § 65-5-208(c).

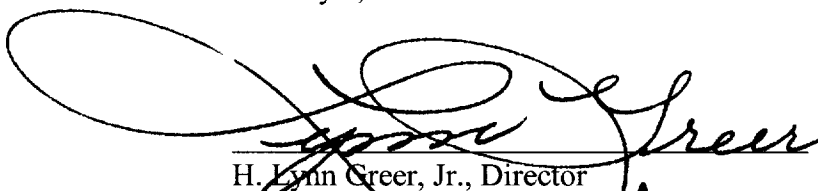
8. No parties sought to intervene in this docket.

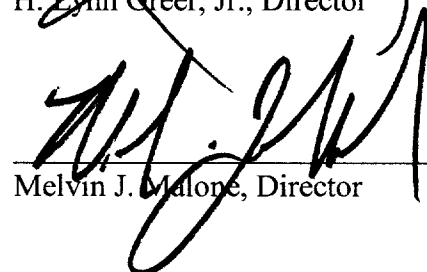
Based on the foregoing findings and conclusions, the Directors unanimously determined that the CSA in this docket should be granted.

**IT IS THEREFORE ORDERED THAT:**


BellSouth Telecommunications, Inc.'s Tariff No. 01-00394, which seeks approval of Contract Service Arrangement No. FL00-2362-00, is hereby granted.

  
Sara Kyle, Chairman

  
H. Lynn Greer, Jr., Director

  
Melvin J. Malone, Director

ATTEST:

  
K. David Waddell, Executive Secretary